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when combined with the first compressed image data set reproduces substantially the entire image at a second, higher quality level.

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14. (Once Amended) The method of claim 10, wherein the digital camera includes primary and secondary storage areas, the method further comprising:

releasing space in the secondary storage area of the image storage device if insufficient space is available in the primary storage area of the image storage device to store the first compressed image data set.

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Out*  
15. (Once Amended) The method of claim 14, wherein the step of releasing space in the secondary storage area of the image storage device releases space in a first in first out order.

16. (Once Amended) The method of claim 14, wherein the step of releasing space in the secondary storage area of the image storage device releases space in a last in first out order.

17. (Once Amended) The method of claim 14, wherein each first compressed image data set stored in the secondary storage area has associated with it an image quality metric and the step of releasing space in the secondary storage area of the image storage device releases space in lowest image quality first order.

18. (Once Amended) A system of processing images in a digital camera comprising:

means for inputting a raw image:

means for generating from the raw image, including employing a first quantizing step, a first compressed image data set suitable for reproducing substantially the entire image at a first quality level; and

means for generating from the raw image, including employing a second quantizing step independent of the first quantizing step, a second compressed image data set which when combined with the first compressed image data set reproduces substantially the entire image at a second, higher quality level.

22. (Once Amended) The system of claim 18, wherein the digital camera includes primary and secondary storage areas, the system further comprising:

means for releasing space in the secondary storage area of the image storage device if insufficient space is available in the primary storage area of the image storage device to store the first compressed image data set.

25. (Once Amended) The system of claim 22, wherein each first compressed image data set in the secondary storage area has associated with it an image quality metric and the means for releasing space in the secondary storage area of the image storage device releases space in lowest image quality first order.

26. (Once Amended) A system for processing images in a digital camera comprising:

an image storage device; and

a processing unit configured to transfer raw image data from an input device, generate a first compressed image data set from the raw image, including employing a first quantizing step, wherein the first data set is suitable for reproducing substantially the entire image at a first quality level, and generate a second compressed image data